

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To SBA Communications Corporation:

We have audited the accompanying consolidated balance sheets of SBA Communications Corporation (a Florida corporation) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, shareholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SBA Communications Corporation and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

West Palm Beach, Florida,  
February 20, 2001 (except with respect to  
the matters discussed in Note 16, as to  
which the date is March 16, 2001).

**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	<u>December 31, 2000</u>	<u>December 31, 1999</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents .....	\$ 14,980,046	\$ 3,130,912
Accounts receivable, net of allowances of \$2,117,344 and \$785,299 in 2000 and 1999, respectively .....	47,704,256	22,644,777
Prepaid and other current assets .....	5,968,475	4,946,561
Costs and estimated earnings in excess of billings on uncompleted contracts .....	13,583,513	2,888,963
Total current assets .....	82,236,290	33,611,213
Property and equipment, net .....	765,814,824	338,891,513
Intangible assets, net .....	83,386,959	53,616,887
Other assets .....	17,380,027	3,703,613
Total assets .....	<u>\$948,818,100</u>	<u>\$429,823,226</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable .....	\$ 76,944,232	\$ 40,655,950
Accrued expenses .....	13,503,843	6,094,669
Current portion—notes payable .....	2,606,222	50,176
Due to shareholder .....	—	2,500,000
Billings in excess of costs and estimated earnings on uncompleted contracts .....	5,942,241	1,600,981
Other current liabilities .....	10,714,397	3,654,584
Total current liabilities .....	<u>109,710,935</u>	<u>54,556,360</u>
Long-term liabilities:		
Deferred tax liabilities, net .....	18,444,566	7,950,454
Senior discount notes payable .....	209,041,552	186,041,542
Notes payable .....	72,625,440	132,175,616
Other long-term liabilities .....	835,276	517,007
Total long-term liabilities .....	<u>300,946,834</u>	<u>326,684,619</u>
Commitments and contingencies (see Note 13)		
Shareholders' equity:		
Common stock—Class A par value \$.01 (100,000,000 shares authorized), 40,989,044 and 21,546,737 shares issued and outstanding in 2000 and 1999, respectively .....	409,890	215,467
Common stock—Class B par value \$.01 (8,100,000 shares authorized), 5,455,595 and 7,644,264 shares issued and outstanding in 2000 and 1999, respectively .....	54,556	76,443
Additional paid-in capital .....	627,370,391	109,049,538
Accumulated deficit .....	(89,674,506)	(60,759,201)
Total shareholders' equity .....	<u>538,160,331</u>	<u>48,582,247</u>
Total liabilities and shareholders' equity .....	<u>\$948,818,100</u>	<u>\$429,823,226</u>

The accompanying notes to consolidated financial statements are an integral part of these consolidated balance sheets.

**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the years ended December 31,		
	2000	1999	1998
<b>Revenues:</b>			
Site development .....	\$115,892,303	\$ 60,569,614	\$ 46,704,641
Site leasing .....	52,013,366	26,423,121	12,396,268
Total revenues .....	<u>167,905,669</u>	<u>86,992,735</u>	<u>59,100,909</u>
<b>Cost of revenues (exclusive of depreciation and amortization shown below):</b>			
Cost of site development .....	88,892,376	45,804,553	36,499,980
Cost of site leasing .....	19,501,959	12,133,678	7,280,786
Total cost of revenues .....	<u>108,394,335</u>	<u>57,938,231</u>	<u>43,780,766</u>
Gross profit .....	59,511,334	29,054,504	15,320,143
<b>Operating expenses:</b>			
Selling, general and administrative .....	27,798,589	19,783,547	18,302,226
Depreciation and amortization .....	34,831,394	16,556,533	5,802,090
Total operating expenses .....	<u>62,629,983</u>	<u>36,340,080</u>	<u>24,104,316</u>
Operating loss .....	(3,118,649)	(7,285,576)	(8,784,173)
<b>Other income (expense):</b>			
Interest income .....	6,253,015	881,338	4,303,277
Interest expense, net of capitalized interest .....	(4,878,327)	(5,244,373)	(1,196,544)
Non-cash amortization of original issue discount and debt issuance costs .....	(26,006,270)	(22,063,495)	(15,710,370)
Other .....	68,191	47,912	(37,591)
Total other expense .....	<u>(24,563,391)</u>	<u>(26,378,618)</u>	<u>(12,641,228)</u>
Loss before (provision) benefit for income taxes and extraordinary item .....	(27,682,040)	(33,664,194)	(21,425,401)
(Provision) benefit for income taxes .....	<u>(1,233,265)</u>	<u>222,656</u>	<u>1,524,306</u>
Net loss before extraordinary item .....	(28,915,305)	(33,441,538)	(19,901,095)
Extraordinary item, write-off of deferred financing fees .....	<u>—</u>	<u>(1,149,954)</u>	<u>—</u>
Net loss .....	(28,915,305)	(34,591,492)	(19,901,095)
Dividends on preferred stock .....	<u>—</u>	<u>733,403</u>	<u>(2,575,000)</u>
Net loss to common shareholders .....	<u><u>\$ (28,915,305)</u></u>	<u><u>\$(33,858,089)</u></u>	<u><u>\$(22,476,095)</u></u>
<b>Basic and diluted loss per common share before extraordinary item .....</b>	<b>\$ (0.70)</b>	<b>\$ (1.71)</b>	<b>\$ (2.64)</b>
<b>Extraordinary item .....</b>	<b><u>—</u></b>	<b><u>(0.06)</u></b>	<b><u>—</u></b>
<b>Basic and diluted loss per common share .....</b>	<b><u><u>\$ (0.70)</u></u></b>	<b><u><u>\$ (1.77)</u></u></b>	<b><u><u>\$ (2.64)</u></u></b>
<b>Basic and diluted weighted average number of shares of common stock .....</b>	<b><u>41,156,312</u></b>	<b><u>19,156,027</u></b>	<b><u>8,526,052</u></b>

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)**  
**FOR THE YEARS ENDED DECEMBER 31, 1998, 1999 AND 2000**

	Common Stock				Additional Paid-In Capital	Accumulated Deficit	Total
	Class A		Class B				
	Number	Amount	Number	Amount			
BALANCE, December 31, 1997 . . . . .	—	\$ —	8,075,000	\$80,750	\$ —	\$ (4,425,017)	\$ (4,344,267)
Exercise of stock options . . . . .	775,961	7,760	—	—	37,316	—	45,076
Issuance of common stock as executive compensation . . . . .	104,961	1,049	—	—	504,005	—	505,054
Non-cash compensation adjustment . . . . .	—	—	—	—	174,810	—	174,810
Net loss . . . . .	—	—	—	—	—	(19,901,095)	(19,901,095)
Preferred stock dividends . . . . .	—	—	—	—	—	(2,575,000)	(2,575,000)
BALANCE, December 31, 1998 . . . . .	880,922	8,809	8,075,000	80,750	716,131	(26,901,112)	(26,095,422)
Initial public offering of common stock, net of issuance costs . . . . .	11,300,000	113,000	—	—	93,519,852	—	93,632,852
Non-cash compensation adjustment . . . . .	—	—	—	—	311,265	—	311,265
Preferred stock dividends . . . . .	—	—	—	—	—	(1,345,500)	(1,345,500)
Preferred stock conversion/redemption . . . . .	8,050,000	80,500	—	—	(80,500)	2,078,903	2,078,903
Shares received for repayment of shareholder loan . . . . .	—	—	(430,736)	(4,307)	(3,872,319)	—	(3,876,626)
Common stock issued in connection with acquisitions . . . . .	1,100,000	11,000	—	—	17,689,000	—	17,700,000
Exercise of employee stock options/common stock issued in connection with employee stock purchase plan . . . . .	215,815	2,158	—	—	766,109	—	768,267
Net loss . . . . .	—	—	—	—	—	(34,591,492)	(34,591,492)
BALANCE, December 31, 1999 . . . . .	21,546,737	215,467	7,644,264	76,443	109,049,538	(60,759,201)	48,582,247
Offering of common stock, net of issuance costs . . . . .	14,750,000	147,500	—	—	464,896,249	—	465,043,749
Common stock issued in connection with acquisitions . . . . .	1,123,246	11,232	—	—	48,761,658	—	48,772,890
Non-cash compensation adjustment . . . . .	—	—	—	—	312,788	—	312,788
Exercise of employee stock options/common stock issued in connection with employee stock purchase plan . . . . .	1,003,005	10,030	—	—	4,353,932	—	4,363,962
Issuance of restricted stock . . . . .	20,000	200	—	—	(200)	—	—
Conversion of Class B to Class A . . . . .	2,188,669	21,887	(2,188,669)	(21,887)	—	—	—
Exercise of warrants . . . . .	357,387	3,574	—	—	(3,574)	—	—
Net loss . . . . .	—	—	—	—	—	(28,915,305)	(28,915,305)
BALANCE, December 31, 2000 . . . . .	40,989,044	\$409,890	5,455,595	\$54,556	\$627,370,391	\$(89,674,506)	\$538,160,331

The accompanying notes to consolidated financial statements are an integral part of  
these consolidated statements.

**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the years ended December 31,		
	2000	1999	1998
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss .....	\$( 28,915,305)	\$(34,591,492)	\$(19,901,095)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization .....	34,831,394	16,556,533	5,802,090
Provision for doubtful accounts .....	1,663,174	492,101	282,463
Provision for deferred taxes .....	—	—	(141,061)
Non-cash amortization of original issue discount and debt issuance costs .....	26,006,270	22,063,495	15,829,460
Non-cash compensation expense .....	312,788	311,265	174,810
Interest on shareholder notes .....	—	(91,858)	(223,462)
Write-off of deferred financing fees .....	—	1,149,954	—
Changes in operating assets and liabilities:			
(Increase) decrease in-			
Accounts receivable .....	(25,193,131)	(3,623,719)	(1,863,999)
Prepaid and other current assets .....	(929,465)	1,531,234	(4,998,412)
Costs and estimated earnings in excess of billings on uncompleted contracts .....	(10,029,079)	(1,422,186)	(480,736)
Other assets .....	(14,478,524)	(4,169,648)	(5,970,258)
Increase (decrease) in:			
Accounts payable .....	35,341,548	22,314,456	12,264,937
Accrued expenses .....	7,054,520	1,237,401	1,439,836
Deferred tax liabilities .....	10,494,112	(36,728)	4,147,248
Other current liabilities .....	7,378,082	603,745	1,518,096
Other long-term liabilities .....	—	—	381,567
Billings in excess of costs and estimated earnings on uncompleted contracts .....	3,979,951	809,136	(790,162)
Total adjustments .....	76,431,640	57,725,181	27,372,417
Net cash provided by operating activities .....	47,516,335	23,133,689	7,471,322
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Tower acquisitions, net of cash received and other capital expenditures .....	(445,280,127)	(208,870,025)	(138,123,784)
Net cash used in investing activities .....	(445,280,127)	(208,870,025)	(138,123,784)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds of common stock offerings, net of issuance costs ..	465,043,749	93,632,852	—
Proceeds from notes payable, net of financing fees .....	11,000,000	173,573,876	28,500,000
Repayment on notes payable .....	(70,794,785)	(73,026,087)	(21,593,054)
Proceeds from senior discount notes payable, net of financing fees .....	—	—	143,829,239
Issuance of common stock .....	—	—	505,054
Proceeds from exercise of stock options and employee stock purchase plan .....	4,363,962	768,267	45,075
Redemption of Series A redeemable preferred stock .....	—	(32,824,930)	—
Net cash provided by financing activities .....	409,612,926	162,123,978	151,286,314
Net increase (decrease) in cash and cash equivalents .....	11,849,134	(23,612,358)	20,633,852

(continued)

**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**

	For the years ended December 31,		
	2000	1999	1998
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of year .....	3,130,912	26,743,270	6,109,418
End of year .....	<u>\$ 14,980,046</u>	<u>\$ 3,130,912</u>	<u>\$26,743,270</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Cash paid during the year for:			
Interest, including amounts capitalized .....	<u>\$ 8,411,348</u>	<u>\$ 5,940,096</u>	<u>\$ 423,302</u>
Taxes .....	<u>\$ 1,995,863</u>	<u>\$ 665,622</u>	<u>\$ 2,378,510</u>
<b>NON-CASH ACTIVITIES:</b>			
Accrual (reversal) of dividends on Series A redeemable preferred stock .....	<u>\$ —</u>	<u>\$ (733,403)</u>	<u>\$2,575,000</u>
Note receivable—shareholder .....	<u>\$ —</u>	<u>\$ 3,876,626</u>	<u>\$ —</u>
Exchange of Series B preferred stock for common stock .....	<u>\$ —</u>	<u>\$ 80,500</u>	<u>\$ —</u>
<b>ACQUISITION SUMMARY:</b>			
Assets acquired .....	\$ 63,049,041	\$ 32,281,360	\$ —
Liabilities assumed .....	\$ (2,197,157)	\$ (6,666,726)	\$ —
Common stock issued .....	\$(48,772,890)	\$(17,700,000)	\$ —

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. GENERAL**

SBA Communications Corporation (the "Company" or "SBA") was incorporated in the State of Florida in March, 1997. The Company holds all of the outstanding capital stock of SBA Telecommunications, Inc. ("Telecommunications"). Telecommunications holds all of the capital stock of SBA Towers, Inc. ("Towers"), SBA, Inc., SBA Leasing, Inc., and SBA Network Services, Inc. ("Network Services" f/k/a Com-Net Construction Services, Inc.). These companies own all of the outstanding capital stock of certain other tower and construction companies.

Towers and its subsidiaries own and operate transmission towers in various parts of the United States. Space on these towers is leased primarily to wireless communications carriers.

SBA, Inc. provides comprehensive turnkey services for the telecommunications industry in the areas of site development services for wireless carriers. Site development services provided by SBA, Inc. include site identification and acquisition, contract and title administration, zoning and land use permitting, construction management and microwave relocation.

SBA Leasing, Inc. ("Leasing") leases antenna tower sites from owners and then subleases such sites to wireless telecommunications providers.

Network Services and its subsidiaries are engaged in the construction and repair of transmission towers, including hanging of antennae, cabling and associated tower components.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements is as follows:

**a. Basis of Consolidation**

The consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

**b. Use of Estimates**

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The more significant estimates made by management include the allowance for doubtful accounts receivable, the costs and revenue relating to the Company's site development and construction contracts, valuation allowance on deferred tax assets, and the economic useful lives of towers. Actual results could differ from those estimates.

**c. Cash and Cash Equivalents**

The Company classifies as cash and cash equivalents all interest-bearing deposits or investments with original maturities of three months or less, and highly liquid short-term commercial paper.

**d. Property and Equipment**

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives. Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. Maintenance and repair items are expensed as incurred.

**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Interest is capitalized in connection with the construction of towers. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Approximately \$3.5 million and \$1.6 million of interest cost was capitalized in 2000 and 1999, respectively.

**e. Intangible Assets**

Intangible assets are comprised of costs paid in excess of the fair value of assets acquired ("Goodwill") and amounts paid related to covenants not to compete, deferred financing fees and deferred lease costs. Goodwill is being amortized over periods which range from 7 to 40 years. The covenants not to compete are being amortized over the terms of the contracts, which range from 1 to 10 years. Amortization expense was \$3.6 million, \$1.1 million and \$0.3 million for the years ended December 31, 2000, 1999 and 1998, respectively. Accumulated amortization totaled approximately \$5.0 million and \$1.4 million at December 31, 2000 and 1999.

**f. Deferred Financing Fees**

Financing fees related to the issuance of long-term debt and the 12% senior discount notes, and the related original issue discount on the 12% senior discount notes, have been deferred and are being amortized using a method that approximates the effective interest rate method over the length of indebtedness to which they relate.

**g. Deferred Lease Costs**

The Company defers certain initial direct costs associated with new leases and amortizes these costs over the initial lease term, generally five years. Total costs deferred were approximately \$1.1 million in both 2000 and 1999.

**h. Impairment of Long-Lived Assets**

Statement of Financial Accounting Standards No. 121 ("SFAS 121") *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of* requires that long-lived assets, including certain identifiable intangibles, and the goodwill related to those assets, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset in question may not be recoverable. Management has reviewed the Company's long-lived assets and has determined that there are no events requiring impairment loss recognition.

The Company periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of intangible assets or whether the remaining balance of intangible assets should be evaluated for possible impairment. The Company uses an estimate of the related undiscounted cash flows over the remaining life of the intangible assets in assessing whether an impairment occurred. The Company measures impairment loss as the amount by which the carrying amount of the asset exceeds the fair value of the assets.

**i. Fair Value of Financial Instruments**

The carrying value of the Company's financial instruments, which includes cash and cash equivalents, accounts receivable, prepaid expenses, notes receivable, accounts payable, accrued expenses and notes payable, approximates fair value due to the short maturity of those instruments. The Company's 12% senior discount notes are publicly traded and were trading based on an 11.81% yield at December 31, 2000, indicating a fair value of the notes of approximately \$211.2 million. The carrying value of the discount notes is approximately \$209.0 million at December 31, 2000.

**j. Revenue Recognition**

Revenue from tower leasing is recorded monthly on a straight-line basis over the life of the related lease agreements. Revenue for Leasing is recorded on a monthly basis at billed contractual amounts. Rental amounts received in advance are recorded in other liabilities.



**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Site development projects in which the Company performs consulting services include contracts on a time and materials basis or a fixed price basis. Time and materials based contracts are billed at contractual rates as the services are rendered. For those site development contracts in which the Company performs work on a fixed price basis, site development billing (and revenue recognition) is based on the completion of agreed upon phases of the project on a per site basis. Upon the completion of each phase on a per site basis, the Company recognizes the revenue related to that phase. Revenue related to services performed on uncompleted phases of site development projects was not recorded by the Company at the end of the reporting periods presented as it was not material to the Company's results of operations. Any estimated losses on a particular phase of completion are recognized in the period in which the loss becomes evident. Site development projects generally take from 3 to 12 months to complete.

Revenue from construction projects is recognized on the percentage-of-completion method of accounting, determined by the percentage of cost incurred to date compared to management's estimated total anticipated cost for each contract. This method is used because management considers total cost to be the best available measure of progress on the contracts. These amounts are based on estimates, and the uncertainty inherent in the estimates initially is reduced as work on the contracts nears completion. The asset "Costs and estimated earnings in excess of billings on uncompleted contracts" represents expenses incurred and revenues recognized in excess of amounts billed. The liability "Billings in excess of costs and estimated earnings on uncompleted contracts" represents billings in excess of revenues recognized.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), "*Revenue Recognition in Financial Statements*." SAB 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements. The Company's revenue recognition policy is in accordance with the provisions of SAB 101. Adoption of the provisions of SAB 101 did not have a material impact on the Company's consolidated financial position.

Costs of site development project revenue and construction revenue include all direct material costs, salaries and labor costs, including payroll taxes, subcontract labor, vehicle expense and other costs directly related to the projects. All costs related to site development projects and construction projects are recognized as incurred. Costs of site leasing revenue include rent, maintenance and other tower expenses. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined to be probable.

**k. Selling, General and Administrative Expenses**

Selling, general and administrative expenses represent those costs incurred which are related to the administration or management of the Company. Also included in this category are corporate development expenses which represent costs incurred in connection with proposed acquisitions, and new build activities where a capital asset is not produced, and expansion of the customer base. The above costs are expensed as incurred.

**l. Income Taxes**

The Company accounts for income taxes in accordance with the provisions of Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* ("SFAS No. 109"). SFAS No. 109 requires the Company to recognize deferred tax liabilities and assets for the expected future income tax consequences of events that have been recognized in the Company's consolidated financial statements. Deferred tax liabilities and assets are determined based on the temporary differences between the consolidated financial statements carrying amounts and the tax base of assets and liabilities, using enacted tax rates in the years in which the temporary

**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

differences are expected to reverse. In assessing the likelihood of utilization of existing deferred tax assets, management has considered historical results of operations and the current operating environment.

**m. Reclassifications**

Certain reclassifications have been made to the 1999 and 1998 consolidated financial statements to conform to the 2000 presentation.

**n. Loss Per Share**

Basic and diluted loss per share are calculated in accordance with Statement of Financial Accounting Standards No. 128, *Earnings per Share*. The Company has potential common stock equivalents related to its outstanding stock options. These potential common stock equivalents were not included in diluted loss per share because the effect would have been anti-dilutive. Accordingly, basic and diluted loss per common share and the weighted average number of shares used in the computations are the same for all periods presented. There were 3.1 million, 3.2 million and 1.7 million options outstanding at December 31, 2000, 1999 and 1998, respectively. The computation of basic and fully diluted loss per share is as follows:

	For the years ended December 31,		
	2000	1999	1998
Net loss before extraordinary item.....	\$(28,915,305)	\$(33,441,538)	\$(19,901,095)
Preferred stock dividend .....	—	733,403	(2,575,000)
Loss to common stockholders .....	(28,915,305)	(32,708,135)	(22,476,095)
Weighted average number of shares outstanding ..	41,156,312	19,156,027	8,526,052
Loss per share .....	\$ (0.70)	\$ (1.71)	\$ (2.64)

**o. Comprehensive Income**

During the years ended December 31, 2000, 1999 and 1998, the Company did not have any changes in its equity resulting from non-owner sources and accordingly, comprehensive income was equal to the net loss amounts presented for the respective periods in the accompanying Consolidated Statements of Operations.

**3. CURRENT ACCOUNTING PRONOUNCEMENTS**

In June 2000, the Financial Accounting Standards Board ("FASB") issued SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of SFAS 133*. SFAS 133 established accounting and reporting standards for derivative instruments including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS 138 addresses a limited number of issues causing implementation difficulties for numerous entities that apply SFAS 133 and amends the accounting and reporting standards of SFAS 133 for certain derivative instruments and certain hedging activities. The Company has elected to defer the adoption of both SFAS 133 and SFAS 137, *"Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of SFAS No. 133,"* until fiscal 2001. The Company adopted SFAS 138 on January 1, 2001 and there was not a significant impact from the adoption.

In February 2001, the FASB issued a revised Exposure Draft entitled *"Business Combinations and Intangibles Assets — Accounting for Goodwill."* This Exposure Draft, if adopted as proposed, would eliminate the amortization of goodwill against earnings. Instead, it would be written down against earnings only in the periods in which the recorded value of the goodwill is more than its fair value. The FASB is expected to issue a final statement on business combinations and intangible assets in 2001. The adoption of this statement, if issued as proposed, would not have a material impact on our consolidated results of operations.

**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In March 2000, the FASB issued Interpretation No. 44 ("FIN 44"), "Accounting for Certain Transactions Involving Stock Compensation," an interpretation of Accounting Principles Board Opinion No. 25 ("Opinion 25"). FIN 44 clarifies (a) the definition of "employee" for purposes of applying Opinion 25, (b) the criteria for determining whether a plan qualifies as a non-compensatory plan, (c) the accounting consequence of various modifications to the terms of a previously fixed stock option or award, and (d) the accounting for an exchange of stock compensation awards in a business combination. FIN 44 was generally effective July 1, 2000, and the effects of applying FIN 44 are recognized on a prospective basis from that date. In fiscal year 2000, FIN 44 did not have a material impact on our consolidated financial position, results of operations or cash flow.

**4. ACQUISITIONS**

On April 30, 1999, the Company acquired all of the issued and outstanding stock of Network Services and issued 780,000 shares of its Class A common stock to the former shareholders of Network Services. The former shareholders of Network Services received \$2.5 million in cash and 320,000 additional shares of the Company's Class A common stock in 1999 and an additional 400,000 shares of the Company's Class A common stock in 2000, as certain targets were met. The excess of the purchase price over the estimated fair value of the net assets acquired was recorded as goodwill and is being amortized on a straight-line basis over a period of 15 years.

During 2000, the Company acquired 448 towers and related assets from various sellers, all of which were individually insignificant to the Company. The aggregate purchase price for these acquisitions for the year ended December 31, 2000 was \$174.5 million, which was paid from proceeds from borrowings, equity offerings, cash provided from operations and cash on hand. The historical results of operations of the assets acquired are not material in relation to the Company's consolidated financial statements; accordingly, pro forma financial information has not been presented for 2000.

During 1999, the Company completed 40 acquisitions consisting of 231 towers and related assets from various sellers, all of which were individually insignificant to the Company. The aggregate purchase price for these acquisitions for the year ended December 31, 1999 was \$80.9 million, which was paid from cash on hand.

All acquisitions occurring in 2000 and 1999 were accounted for using the purchase method of accounting. The results of operations of the acquired assets are included with those of the Company from the dates of the respective acquisitions.

The unaudited pro-forma results for 1999 have been prepared for comparative purposes only and include certain pro-forma adjustments, such as additional amortization expense as a result of goodwill as if the transactions occurred at the beginning of 1999. The pro-forma results do not purport to be indicative of results that would have occurred had the combination been in effect for the periods presented, nor do they purport to be indicative of the results that will be obtained in the future.

	<u>For the year ended December 31, 1999</u>
Unaudited pro forma revenues .....	<u>\$100,556,580</u>
Unaudited pro forma net loss .....	<u>\$ (34,671,567)</u>
Unaudited pro forma basic and diluted loss per common share .....	<u>\$ (1.77)</u>

**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**5. CONCENTRATION OF CREDIT RISK**

The Company's credit risks consist primarily of accounts receivable with national and local wireless communications providers and federal and state government agencies. The Company performs periodic credit evaluations of its customers' financial condition and provides allowances for doubtful accounts as required based upon factors surrounding the credit risk of specific customers, historical trends and other information. Following is a list of significant customers and the percentage of total revenue derived from such customers:

For the years ended December 31,		
2000	1999	1998
(% of revenue)		
Sprint .....	17.3	34.0
Bell South .....	12.3	19.3
Pacific Bell Mobile Systems .....	less than 10.0	less than 10.0
	0.9	10.7

Our site development consulting, site development construction and site leasing segments derive revenue from these customers.

**6. PROPERTY AND EQUIPMENT**

Property and equipment, consists of the following:

Estimated useful lives (Years)		
2000	1999	
Towers .....	\$721,360,967	\$329,046,558
Construction in process .....	69,012,222	18,648,109
Furniture, equipment and vehicles .....	19,497,128	7,547,827
Buildings and improvements .....	624,659	596,676
Land .....	10,013,526	6,664,178
Less: accumulated depreciation and amortization .....	(54,693,678)	(23,611,835)
Property and equipment, net .....	\$765,814,824	\$338,891,513

Construction in process represents costs incurred related to towers which are under development and will be used in the Company's operations.

**7. COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS**

Costs and estimated earnings on uncompleted contracts consist of the following:

As of December 31,		
2000	1999	
Costs incurred on uncompleted contracts .....	\$48,060,291	\$11,259,511
Estimated earnings .....	9,940,359	2,830,072
Billings to date .....	(\$50,359,378)	(\$12,801,601)
	\$ 7,641,272	\$ 1,287,982

**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

These amounts are included in the accompanying consolidated balance sheet under the following captions:

	As of December 31,	
	2000	1999
Costs and estimated earnings in excess of billings on uncompleted contracts .....	\$13,583,513	\$2,888,963
Billings in excess of costs and estimated earnings .....	(5,942,241)	(1,600,981)
	<u>\$ 7,641,272</u>	<u>\$1,287,982</u>

**8. CURRENT AND LONG-TERM DEBT**

Current and long-term debt consists of the following:

	As of December 31,	
	2000	1999
Senior credit facility term loans, interest at variable rates (10.06% at December 31, 2000), quarterly installments based on reduced availability beginning March 31, 2002, maturing December 31, 2005. ....	\$ 50,000,000	\$ 75,000,000
Senior credit facility revolving loan, interest at a variable rate (10.75% at December 31, 2000), quarterly installments based on reduced availability beginning March 31, 2001, maturing December 31, 2004 .....	25,000,000	57,000,000
12% senior discount notes, net of unamortized original issue discount of \$59,958,448 at December 31, 2000, and \$82,958,458 at December 31, 1999, unsecured, cash interest payable semi-annually in arrears beginning September 1, 2003, balloon principal payment of \$269,000,000 due on March 1, 2008. ....	209,041,552	186,041,542
Notes payable, varying rates (2.9% to 8.8675% at December 31, 2000) .....	231,662	225,792
	<u>284,273,214</u>	<u>318,267,334</u>
Less: current maturities .....	(2,606,222)	(50,176)
Long-term debt .....	<u>\$281,666,992</u>	<u>\$318,217,158</u>

*Senior Credit Facility*

On February 5, 1999, the Company, through Telecommunications, entered into a new credit facility (the "senior credit facility") with a syndicate of lenders which replaced and superceded in its entirety the Credit Agreement described below. The senior credit facility originally consisted of a \$25.0 million term loan, which was fully funded at closing, and a \$100.0 million revolving line of credit. The revolving line of credit was increased to \$150.0 million on March 8, 1999 after receiving the requisite consents from the holders of the 12% senior discount notes (the "Notes"). The Company amended the indenture governing the Notes to increase one of the categories of permitted indebtedness from \$125.0 million to \$175.0 million. The senior credit facility also provides for letter of credit availability. On December 16, 1999, after receiving the requisite consents from the

**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

holders of the Notes, the Company amended the indenture governing the Notes to increase one of the categories of indebtedness from \$175.0 million to \$300.0 million. Simultaneously, Telecommunications amended and restated its existing senior credit facility and received commitments to expand total amounts available under the senior credit facility to \$300.0 million. The term loan portion of the senior credit facility was increased to \$75.0 million and was fully funded at closing. The revolving loan portion of the senior credit facility was increased to \$225.0 million.

Availability under the senior credit facility was determined by a number of factors, including number of towers built by the Company with anchor tenants on the date of completion, the financial performance of the Company's towers, site development and construction segments, as well as by other financial covenants, financial ratios and other conditions. The initial term loan of \$25.0 million and the \$225.0 million revolving loan were to mature December 31, 2004 with amortization pursuant to a schedule and reduced availability beginning March 31, 2001. The additional term loan of \$50.0 million was to mature December 31, 2005 with amortization pursuant to a schedule and reduced availability beginning March 31, 2002. Borrowings under the senior credit facility were to bear interest at the EURO rate plus a margin ranging from 2.25% to 3.50% (determined by a leverage ratio) or "base rate" (as defined in the senior credit facility) plus a margin ranging from 1.25% to 2.50% (determined by a leverage ratio). The senior credit facility was secured by substantially all of the assets of Telecommunications and its direct and indirect subsidiaries, required Telecommunications to maintain certain financial covenants, and placed restrictions on, among other things, the incurrence of debt and liens, dispositions of assets, transactions with affiliates and certain investments.

Subsequent to December 31, 2000 the Company borrowed an additional \$30.0 million under the senior credit facility. In addition, subsequent to December 31, 2000 the Company used proceeds from our \$500.0 million 10% senior note offering (see Note 16) completed in February 2001, to repay all amounts outstanding under the senior credit facility, and terminated the facility. Accordingly, the Company wrote off deferred financing fees related to the senior credit facility and will record a \$4.8 million extraordinary loss in connection with the termination of this facility in the first quarter of 2001.

*12% Senior Discount Notes*

In March, 1998, the Company closed on \$269.0 million 12% senior discount notes due March 1, 2008. The issuance of the Notes netted approximately \$150.2 million in proceeds to the Company. The Notes will accrete in value until March 1, 2003 at which time they will have an aggregate principal amount of \$269.0 million. Thereafter, interest will accrue on the Notes and will be payable in cash semi-annually in arrears on March 1 and September 1, commencing September 1, 2003. Proceeds from the Notes were used to acquire and construct telecommunications towers as well as for general working capital purposes.

The 12% senior discount notes contain numerous restrictive covenants, including but not limited to covenants that restrict the Company's ability to incur indebtedness, pay dividends, create liens, sell assets and engage in certain mergers and acquisitions. The ability of the Company to comply with the covenants and other terms of the 12% senior discount notes and to satisfy its respective debt obligations will depend on the future operating performance of the Company. In the event the Company fails to comply with the various covenants contained in the 12% senior discount notes it would be in default thereunder, and in any such case, the maturity of a portion or all of its long-term indebtedness could be accelerated.

*Bank Credit Agreement*

On June 29, 1998, the Company amended and restated its Credit Agreement with a syndicate of banks (the "Credit Agreement"). The amended Credit Agreement provided for revolving credit loans of \$55.0 million. Availability was limited based on a minimum number of owned, leased or managed towers and at all times by

**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

certain financial conditions and covenants and ratios, and other conditions. The Credit Agreement was scheduled to mature on June 29, 2005. This Credit Agreement was replaced and superceded in its entity by the senior credit facility in February, 1999. Accordingly, deferred financing fees of approximately \$1.1 million were written off and are included in the Consolidated Statement of Operations as an extraordinary item.

The Company's long-term debt at December 31, 2000 matures as follows:

2001 .....	\$ 2,606,222
2002 .....	5,550,176
2003 .....	8,050,176
2004 .....	10,525,088
2005 .....	48,500,000
Thereafter .....	209,041,552
Total .....	<u>\$284,273,214</u>

**9. RELATED PARTY TRANSACTIONS**

The \$2,500,000 due to shareholder at December 31, 1999 represents the amount owed to the former shareholders of Network Services as a result of certain earnings targets for 1999 having been met. The amount was paid in full in March 2000.

**10. SHAREHOLDERS' EQUITY**

**a. Redeemable Preferred Stock**

In 1997, the Company sold 8,050,000 shares of 4% Series A preferred stock, convertible initially into one share of the Company's Class A common stock and one share of the Company's 4% Series B redeemable preferred stock, to a syndicate of institutional investors. The Series A preferred stock had a conversion price of \$3.73 and net proceeds received by the Company from the sale of the shares was approximately \$27.0 million (net of approximately \$2.4 million of issuance costs charged to retained earnings).

Each holder of Series A preferred stock had the right to convert his or her shares at any time into one share of Class A common stock, subject to certain anti-dilution protection provisions, and one share of Series B preferred stock. The Series A preferred stock automatically converted into Class A common stock and Series B preferred stock upon initial public offering.

The holders of outstanding shares of Series A preferred stock were entitled, in preference to the holders of any and all other classes of capital stock of the Company, to receive, out of funds legally available therefore, cumulative dividends on the Series A preferred stock in cash, at a rate per annum of 4% of the Series A subject to pro-rata for partial years. The liquidation amount equals the sum of \$3.73 and any accumulated and unpaid dividends on the Series A preferred stock. Accrued but unpaid dividends on the Series A preferred stock were paid upon the conversion of the Series A preferred stock into Class A common stock and Series B preferred stock. On June 21, 1999, the date of the conversion, accrued dividends of approximately \$2.8 million were paid to the holders of the Series A preferred stock. The Company had accrued the preferred stock dividends on the effective interest method over the period from issuance until the scheduled redemption. As a result, in 1999 the Company recorded a reduction in the amount of dividends payable of \$0.7 million as a result of the early conversion and redemption prior to the originally scheduled redemption date.

**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**b. Initial Public Offering**

On June 21, 1999, the Company completed an initial public offering of 10.0 million shares of its Class A common stock. The Company raised gross proceeds of \$90.0 million which produced net proceeds, after deduction of the underwriting discount and offering expenses, of \$82.8 million. The Company used approximately \$32.8 million of these net proceeds to pay all outstanding dividends on all outstanding shares of the Company's Series A preferred stock and to redeem all shares of the Company's Series B preferred stock. The Company also used \$46.0 million to repay all revolving credit loans under the senior credit facility. Remaining proceeds were used for the construction and acquisition of towers and for general working capital purposes.

On July 19, 1999, the managing underwriters of the Company's initial public offering exercised and closed on their over-allotment option to purchase 1.3 million shares of Class A common stock. The Company received net proceeds of approximately \$10.9 million from the sales of shares, which were sold at the initial public offering price of \$9.00 per share. These net proceeds were also used for the construction and acquisition of towers and for general working capital purposes.

**c. Offering of Common Stock**

In February 2000, the Company completed an equity offering of 9.0 million shares of its Class A common stock. The Company raised gross proceeds of \$243.0 million, which produced net proceeds of approximately \$229.5 million, after deduction of the underwriting discount and offering expenses. The Company used \$70.5 million of these net proceeds to repay all revolving credit loans under the senior credit facility. Remaining proceeds were used for the construction and acquisition of towers and for general working capital purposes.

In February 2000, the managing underwriters of the equity offering exercised and closed on their over-allotment option to purchase an additional 1.4 million shares of the Company's Class A common stock. Certain shareholders along with the Company had granted this option to the underwriters in connection with the equity offering. These certain shareholders satisfied from their shareholdings the exercise of the over-allotment option in full, resulting in no proceeds to the Company as a result of this exercise.

In July 2000, the Company filed a universal shelf registration statement on Form S-3 with the Securities and Exchange Commission registering the sale of up to \$500.0 million of any combination of the following securities: Class A common stock, preferred stock, debt securities, depositary shares, or warrants. In August 2000, the Company drew down \$247.3 million under this universal shelf in connection with an offering of 5.8 million shares of its Class A common stock, including 750,000 shares issued upon the exercise of the managing underwriter's over-allotment option. From this offering, the Company raised gross proceeds of \$247.3 million, which produced net proceeds of approximately \$236.0 million, after deduction of the underwriting discount and offering expenses. The Company used \$25.0 million of these net proceeds to repay a portion of the term loans under the senior credit facility. Remaining proceeds were used for the construction and acquisition of towers and general working capital purposes. As of December 31, 2000, the Company may issue under this universal shelf registration statement, any combination of the registered securities, with an aggregate offering price of up to \$252.7 million.

**d. Registration of Additional Shares in the Year Ended 2000**

During 2000, the Company filed two shelf registration statements on Form S-4 with the Securities and Exchange Commission registering an aggregate 3.0 million shares of its Class A common stock. These shares may be issued in connection with acquisitions of wireless communication towers or companies that provide related services at various locations in the United States. During the year ended December 31, 2000, the Company issued 723,246 shares of its Class A common stock pursuant to these registration statements in



**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

connection with ten acquisitions. Subsequent to December 31, 2000, the Company issued 277,202 shares under these registration statements for one acquisition. As of the date of this report, the Company may issue up to 1,999,552 additional shares under these registration statements.

**e. Exercise of Warrants**

In February 2000, the holders of warrants exercised, pursuant to a cashless option, warrants issued in 1997 to purchase 402,500 shares of SBA's Class A common stock at an exercise price of \$3.73 per share. Pursuant to the cashless exercise option, the Company issued 357,387 shares of Class A common stock and the holders surrendered warrants to purchase 45,113 additional shares as consideration.

**f. Issuance of Common Stock**

On September 30, 2000, the Company issued 400,000 restricted shares of Class A common stock to the former shareholders of Network Services in accordance with the terms of the acquisition.

**g. Issuance of Restricted Stock**

In September 2000, the Company granted 20,000 shares of Class A common stock pursuant to the Company's 1999 Equity Participation Plan. These restricted shares have a three year vesting period. Deferred compensation representing the fair value of the shares on the date of grant was recorded as an adjustment to additional paid in capital and compensation expense is being recognized over the vesting period.

**h. Employee Stock Purchase Plan**

In 1999, the Board of Directors of the Company adopted the 1999 Stock Purchase Plan (the "Purchase Plan"). A total of 500,000 shares of Class A common stock are reserved for purchase under the Purchase Plan. The Purchase Plan permits eligible employee participants to purchase Class A common stock at a price per share which is equal to the lesser of 85% of the fair market value of the Class A common stock on the first or the last day of an offering period. As of December 31, 2000, 59,369 shares had been purchased by employees under the Purchase Plan.

**11. STOCK OPTIONS AND WARRANTS**

In 1996, certain of the Company's senior executives terminated existing employment, incentive and option agreements in exchange for new employment agreements and immediately exercisable options to purchase 1,425,000 shares of Class A common stock. All of the options are exercisable at \$.05 per share. As of December 31, 2000, 248,764 of the initial options remain outstanding.

The Company has two stock option plans (the 1996 Stock Option Plan and the 1999 Equity Participation Plan), whereby options (both non-qualified and incentive stock options), stock appreciation rights and restricted stock may be granted to directors, employees and consultants. A total of 6,300,000 shares of Class A common stock were initially reserved for issuance under these plans. At December 31, 2000, 1,856,135 shares remained for future issuance. These options generally vest over three or four year periods from the date of grant. The Company accounts for these plans under APB Opinion No. 25, under which compensation cost is not recognized on those issuances where the exercise price equals or exceeds the market price of the underlying stock on the grant date.

During 1998, 208,419 options to purchase Class A common stock were granted under the 1996 Stock Option Plan at exercise prices which the Company believed were below market value. Also during 1998, the Company granted 104,961 shares of Class A common stock to two executives and recorded non-cash compensation expense which represented the fair value of the shares on the date of grant.

**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

During 1999, 881,157 options to purchase Class A common stock were granted under the 1999 Equity Participation Plan which the Company believed were below market value at the time of grant. All other option grants were at or above market value at the time of grant. The Company recorded non-cash compensation expense of \$312,788, \$311,265 and \$678,815 for the years ended December 31, 2000, 1999 and 1998, respectively.

As required by FASB Statement No. 123 ("SFAS 123"), for those options which the Company granted at or above fair market value, the Company has determined the pro-forma effect of the options granted had the Company accounted for stock options granted under the fair value method of SFAS 123. The Black-Scholes option pricing model was used with the following assumptions for 1999 and 1998; risk free interest rate of 12%, dividend yield of 0%; expected volatility of .001% and expected lives of three years. For 2000 the following assumptions were used; risk free interest rate of 10%, dividend yield of 0%, volatility of 86%, and expected lives of three years. Had compensation cost for the stock option plan been determined based on fair value at the date of grant in accordance with SFAS 123, the Company's pro-forma net loss would have totaled \$(38,277,115), \$(40,198,079) and \$(20,156,126) and pro-forma loss per share would have been \$(0.93), \$(2.10) and \$(2.36) for the years ended December 31, 2000, 1999 and 1998, respectively. The effect of applying SFAS 123 in this pro-forma disclosure is not necessarily indicative of future results.

A summary of the status of the Company's stock option plans including their weighted average exercise price is as follows:

	2000		1999		1998	
	Shares	Price	Shares	Price	Shares	Price
Outstanding at beginning of year	3,177,194	\$ 7.11	1,660,016	\$ 2.12	1,797,292	\$0.96
Granted	1,001,493	36.87	1,740,935	11.12	799,019	2.81
Exercised/redeemed	(973,569)	3.95	(183,520)	2.63	(775,961)	0.05
Forfeited/canceled	(115,462)	24.99	(40,237)	3.90	(160,334)	2.63
Outstanding at end of year	<u>3,089,656</u>	<u>\$16.97</u>	<u>3,177,194</u>	<u>\$ 7.11</u>	<u>1,660,016</u>	<u>\$2.12</u>
Options exercisable at end of year	<u>1,172,564</u>	<u>\$ 6.29</u>	<u>1,211,829</u>	<u>\$ 3.24</u>	<u>723,883</u>	<u>\$1.45</u>
Weighted average fair value of options granted during the year		<u>\$36.91</u>		<u>\$11.12</u>		<u>\$1.81</u>

**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Option groups outstanding at December 31, 2000 and related weighted average exercise price and remaining life, in years, information are as follows:

OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
Range of Exercise Price	Outstanding	Weighted Average Contractual Life	Weighted Average Exercise Price	Exercisable	Weighted Average Exercise Price
\$ 0.00—\$ 0.05	248,764	5.0	\$ 0.05	248,764	\$ 0.05
\$ 2.63—\$ 4.00	484,687	7.2	\$ 2.66	335,661	\$ 2.67
\$ 8.00—\$ 9.75	718,269	3.9	\$ 8.14	352,655	\$ 8.06
\$10.88—\$15.25	704,747	8.9	\$15.19	232,284	\$15.21
\$18.75	5,200	8.7	\$18.75	0	\$ —
\$27.00—\$30.88	250,282	8.5	\$27.08	3,000	\$27.00
\$32.38—\$36.38	61,500	9.2	\$35.52	0	\$ —
\$37.06—\$41.94	497,907	9.4	\$40.40	200	\$37.25
\$43.00—\$46.88	91,600	9.4	\$44.18	0	\$ —
\$50.06—\$51.94	26,700	9.4	\$50.54	0	\$ —
	<u>3,089,656</u>	7.2	<u>\$16.97</u>	<u>1,172,564</u>	<u>\$ 6.29</u>

**12. INCOME TAXES**

The provision (benefit) for income taxes in the consolidated statements of operations consists of the following components:

	For the years ended December 31,		
	2000	1999	1998
Current provision (benefit) for taxes:			
Federal income tax	\$ —	\$(1,255,510)	\$(1,729,384)
Foreign income tax	—	231,462	65,731
State income tax	1,233,265	801,392	280,408
Total	\$1,233,265	\$ (222,656)	\$(1,383,245)
Deferred provision (benefit) for taxes:			
Federal income tax	(8,156,398)	(9,460,748)	(123,429)
State income tax	(1,173,180)	(1,597,838)	(17,632)
Increase in valuation allowance	9,329,578	11,058,586	—
Total	\$1,233,265	\$ (222,656)	\$(1,524,306)

A reconciliation of the provision (benefit) for income taxes at the statutory U.S. Federal tax rate (34%) and the effective income tax rate is as follows:

	For the years ended December 31,		
	2000	1999	1998
Statutory Federal expense			
(benefit)	\$(9,401,014)	\$(11,836,810)	\$(7,284,636)
State income tax	39,656	(525,654)	(784,569)
Foreign tax	—	540,744	(40,120)
Other	235,611	540,478	261,824
Goodwill amortization	1,029,434	—	—
Valuation allowance	9,329,578	11,058,586	6,323,195
	<u>\$1,233,265</u>	<u>\$(222,656)</u>	<u>\$(1,524,306)</u>

**SBC COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The components of the net deferred income tax asset (liability) accounts are as follows:

	As of December 31,	
	2000	1999
Allowance for doubtful accounts .....	\$ 868,421	\$ 314,120
Deferred revenue .....	2,958,100	1,175,516
Other .....	208,261	288,057
Valuation allowance .....	(4,034,782)	(1,777,693)
Current deferred tax liabilities .....	<u>\$ —</u>	<u>\$ —</u>
Original issue discount .....	\$ 22,596,166	\$ 13,580,162
Net operating loss .....	15,938,424	3,819,561
Employee stock compensation .....	—	1,772,652
Book vs. tax depreciation .....	(26,869,448)	(11,651,792)
Other .....	1,057,995	201,383
Valuation allowance .....	(31,167,703)	(15,672,420)
Non-current deferred tax liabilities .....	<u><u>\$(18,444,566)</u></u>	<u><u>\$ (7,950,454)</u></u>

In connection with the acquisition of certain towers during 2000 and 1999, the Company recorded deferred tax liabilities and goodwill of \$10.5 million and \$4.6 million, respectively, related to the book/tax basis differences in the acquired towers.

The Company has recorded a valuation allowance for deferred tax assets as management believes that it is not "more likely than not" that the Company will be able to generate sufficient taxable income in future periods to recognize the assets.

### 13. COMMITMENTS AND CONTINGENCIES

#### a. Operating Leases

The Company is obligated under various non-cancelable operating leases for land, office space, vehicles and equipment, and site leases that expire at various times through September, 2003. The annual minimum lease payments under non-cancelable operating leases as of December 31, 2000 are as follows:

2001 .....	\$ 25,702,727
2002 .....	24,982,348
2003 .....	24,480,554
2004 .....	21,007,715
2005 .....	13,858,393
Thereafter .....	62,316,527
Total .....	<u><u>\$172,348,264</u></u>

Principally, all of the leases provide for renewal at varying escalations. Leases providing for fixed rate escalations have been reflected above.

Rent expense for operating leases was \$16,993,303, \$12,778,099, and \$10,834,234 for the years ended December 31, 2000, 1999 and 1998, respectively.

**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**b. Tenant Leases**

The annual minimum tower space income to be received for tower space and antenna rental under non-cancelable operating leases as of December 31, 2000 are as follows:

2001 .....	\$ 72,128,373
2002 .....	72,087,503
2003 .....	68,117,939
2004 .....	58,183,932
2005 .....	33,268,968
Thereafter .....	<u>55,158,316</u>
Total .....	<u>\$358,945,031</u>

Principally, all of the leases provide for renewal at varying escalations. Leases providing for fixed rate escalations have been reflected above.

**c. Employment Agreements**

The Company has employment agreements with certain officers of the Company which grant these employees the right to receive their base salary and continuation of certain benefits in the event of a termination (as defined by the agreement of such employees).

**d. Litigation**

The Company is involved in various claims, lawsuits and proceedings arising in the ordinary course of business. While there are uncertainties inherent in the ultimate outcome of such matters and it is impossible to presently determine the ultimate costs that may be incurred, management believes the resolution of such uncertainties and the incurrence of such costs will not have a material adverse effect on the Company's consolidated financial position or results of operations.

**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**14. SEGMENT DATA**

The Company operates principally in three business segments: site development consulting, site development construction, and site leasing. The Company's reportable segments are strategic business units that offer different services. They are managed separately based on the fundamental differences in their operations. Revenues, gross profit, capital expenditures (including assets acquired through the issuance of the Company's Class A common stock) and identifiable assets pertaining to the segments in which the Company operates are presented below:

	For the years ended December 31,		
	2000	1999	1998
Revenues:			
Site development—consulting .....	\$ 24,250,982	\$ 17,964,006	\$ 27,448,910
Site development—construction .....	91,641,321	42,605,608	19,255,731
Site leasing .....	52,013,366	26,423,121	12,396,268
	<u>\$167,905,669</u>	<u>\$ 86,992,735</u>	<u>\$ 59,100,909</u>
Gross profit:			
Site development—consulting .....	\$ 8,624,855	\$ 5,546,475	\$ 5,552,140
Site development—construction .....	18,375,072	9,218,586	4,652,521
Site leasing .....	32,511,407	14,289,443	5,115,482
	<u>\$ 59,511,334</u>	<u>\$ 29,054,504</u>	<u>\$ 15,320,143</u>
Capital expenditures:			
Site development—consulting .....	\$ 1,488,937	\$ 6,971,008	\$ 21,565
Site development—construction .....	25,569,547	28,185,007	119,285
Site leasing .....	465,399,827	189,778,740	137,274,109
Assets not identified by segment .....	1,594,706	1,635,270	708,825
	<u>\$494,053,017</u>	<u>\$226,570,025</u>	<u>\$138,123,784</u>
	As of December 31,		
	2000	1999	
Assets:			
Site development—consulting .....	\$ 14,248,205	\$ 22,418,344	
Site development—construction .....	99,961,668	48,519,024	
Site leasing .....	815,659,797	338,722,978	
Assets not identified by segment .....	19,341,481	20,162,880	
	<u>\$949,211,151</u>	<u>\$429,823,226</u>	

**15. QUARTERLY FINANCIAL DATA (unaudited)**

	Quarters Ended			
	Dec. 31, 2000	Sept. 30, 2000	June 30, 2000	March 31, 2000
Revenues .....	\$53,578,755	\$45,395,003	\$38,502,886	\$30,429,025
Gross profit .....	18,562,646	16,560,155	13,394,499	10,994,034
Net loss .....	(5,378,933)	(5,905,328)	(7,907,627)	(9,723,417)
Basic and diluted loss per common share .....	\$ (0.12)	\$ (0.28)	\$ (0.20)	\$ (0.27)

**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Quarters Ended			
	Dec. 31, 1999	Sept. 30, 1999	June 30, 1999	March 31, 1999
Revenues .....	\$29,260,169	\$24,610,993	\$19,405,272	\$13,716,301
Gross profit .....	9,758,139	7,922,608	6,658,157	4,715,600
Loss before extraordinary item and preferred stock dividends .....	(9,514,500)	(7,985,681)	(8,734,089)	(7,207,268)
Net loss .....	(9,514,500)	(7,985,681)	(7,288,186)	(9,069,722)
Basic and diluted loss per common share before extraordinary item .....	\$ (0.33)	\$ (0.14)	\$ (0.64)	\$ (0.88)
Basic and diluted loss per common share .....	\$ (0.33)	\$ (0.14)	\$ (0.64)	\$ (1.01)

**16. SUBSEQUENT EVENTS**

**a. Issuance of 10¼% Senior Notes**

Subsequent to December 31, 2000 the Company borrowed an additional \$30.0 million under the senior credit facility revolver. In February 2001, the Company issued \$500.0 million of its 10¼% senior notes due 2009, which produced net proceeds of approximately \$484.2 million after deducting offering expenses. The Company used \$105.0 million of these proceeds to repay all borrowings under the senior credit facility, and terminated the senior credit agreement. The Company wrote off the deferred financing fees relating to the senior credit facility and will record a \$4.8 million extraordinary loss in the first quarter of 2001 in connection with the termination of this facility. On March 16, 2001, the Company used \$66.5 million of the remaining proceeds to purchase 203 towers under our agreement with TeleCorp PCS, Inc. The Company intends to use approximately \$23.6 million of the remaining proceeds to purchase the remaining 72 towers under our agreement with TeleCorp PCS, Inc. and approximately \$54.1 million to purchase 173 towers from Louisiana Unwired, Inc., a subsidiary of US Unwired, Inc. The remaining proceeds will be used to finance the construction and acquisition of additional towers and related businesses and for general working capital purposes.

**b. Issuance of Options**

In January 2001, the Company entered into bonus agreements with certain executives and employees to issue up to 592,500 shares, or options to acquire shares, of the Company's Class A common stock. Accordingly, the Company expects to record approximately \$3.2 million of non-cash compensation expense in 2001, and \$1.2 million in non-cash compensation expense in each year from 2002 through 2006.

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SCHEDULE

We have audited in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of SBA Communications Corporation, and have issued our reports thereon dated February 20, 2001. Our audits were made for the purpose of forming an opinion on those consolidated financial statements taken as a whole. The schedule listed in the index of consolidated financial statements is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP

West Palm Beach, Florida

February 20, 2001 (except with respect to  
the matters discussed in Note 16, as to  
which the date is March 16, 2001).



**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**

**SCHEDULE II  
VALUATION AND QUALIFYING ACCOUNTS**

	<u>Balance at Beginning at Period</u>	<u>Additions Charged to Costs and Expenses(1)</u>	<u>Deduction From Reserves(2)</u>	<u>Balance at End of Period</u>
Allowance for Doubtful Accounts For the Years Ended:				
December 31, 2000 .....	\$ 785,299	\$ 1,663,174	\$331,129	\$ 2,117,344
December 31, 1999 .....	\$ 436,671	\$ 492,101	\$143,473	\$ 785,299
December 31, 1998 .....	\$ 508,268	\$ 282,463	\$354,060	\$ 436,671
Tax Valuation Account For the Years Ended:				
December 31, 2000 .....	\$17,450,113	\$17,752,372	\$ —	\$35,202,485
December 31, 1999 .....	\$ 6,323,195	\$11,126,918	\$ —	\$17,450,113
December 31, 1998 .....	\$ —	\$ 6,323,195	\$ —	\$ 6,323,195

(1) For tax valuation account, amounts include adjustments for stock option compensation.

(2) Represents accounts written off.